

Final Report

Assessment of Need for a Capacity Building and Technical Assistance Program for Local Authorities to Improve the Delivery of Housing and Urban Services

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**Under contract to
Macro International**

**Submitted to:
USAID South Africa/SO6
Housing and Urban Development**

December 2000

Macro International, Inc.

USAID/SA
Performance Monitoring and Evaluation (PME) Project
Contract Number: 674-C-00-96-00091-00

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Acronyms and Abbreviations

AMICAALL	African Mayors' Initiative for Community Action on AIDS at the Local Level
BESG	Built Environment Support Group
BOT	Buy Own Transfer
CC	Climate Change
CMIP	Consolidated Municipal Infrastructure Program
DPLG	Department of Provincial and Local Government
EU	European Union
GCC	Global Climate Change
IDP	Integrated Development Plan
KWANALOGO	Kwa-Zulu Natal Association of Local Governments
KZN	Kwa-Zulu Natal Province
LGSP	Local Government Support Program
LGTP	Local Government Transformation Program
MIIU	Municipal Infrastructure Investment Unit
NEMA	National Environmental Management Act
NGO	Non-Governmental Organization
PDC	Previously Disadvantaged Company
PDI	Previously Disadvantaged Individual
PHB	Provincial Housing Board
PPP	Public Private Partnership
SALGA	South African Local Government Association
SANAC	South African National AIDS Council
SETA	Sector Education and Training Authority
SO	Strategic Objective
TA	Technical Assistance
TLC	Transitional Local Council
TRC	Transitional Rural Council
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USAID/SA	USAID/South Africa

1 Executive Summary and Recommendations

The objective of this Assessment is to articulate the basis for USAID/SA to make informed decisions concerning the need and feasibility of developing a capacity building and technical assistance program to assist local government authorities increase access to housing and its related environmentally sound services for historically disadvantaged households.

1.1 The South Africa Framework

In December of this year, local government elections will take place in 284 newly demarcated local government areas. A key feature of the demarcation process has been to reduce the number of local authorities (from 843). The transformation of local government has followed the process laid out in the Local Government Transition Act of 1993. The “Pre-Interim” phase ran from 1993 to 1995. The “Interim” phase began in 1995 and will end with the elections in December. In the Interim phase, transitional local authorities were established which amalgamated previously racially split local authorities but which did not rationalize the overall configuration of local authorities. Such rationalization is to be achieved in the “Final” phase, which involves the new demarcation referred to above and the consolidation of new local authorities.

Newly demarcated local authorities will face a plethora of challenges. This report focuses primarily on the challenges in respect of housing and urban service delivery (rather than on fiscal, financial and governance challenges which have tended to be the focus of other investigations).

1.2 Findings and Conclusions

The changes from the apartheid structure to the present structures are vast. Gone are the townships. Gone are the white only cities. Gone are the Bantustans and the local government arrangements that existed then. Disappearing as well are the transitional arrangements that were intended to ease the way to amalgamation of the different city forms.

Over this same period, over a million houses have been built as part of the response to the national crisis of a shortage of decent housing, and urban services have begun to be extended to many formerly black townships.

And yet, the housing and urban services delivery systems now in place have not met the aspirations of many South Africans. The new structure of local government now being put in place will entail numerous changes, many of which will affect the housing and urban service delivery systems.

It is also important to note that there are very substantial differences among the local authorities the assessment team visited and, indeed, throughout the country. The situation is highly variable.

It should be noted at the outset that, in terms of the constitution, housing is a concurrent national and provincial function. Local government is required constitutionally to facilitate housing delivery within its jurisdiction but is not required to make any direct financial contribution to housing delivery. Moreover, the Housing Act of 1997 empowers (but does not require) local authorities to take on the role of risk-taking developer.

In our visits to local authorities we observed a range of responses to these choices---some quite deliberate while others were less conscious. It is noteworthy that in the three future “unicity” areas that we visited¹, housing officials were quite clear that they saw the role of the local government in shelter delivery as a facilitation role and that the developer role should only be undertaken as a last resort, which we considered appropriate. On the other hand, virtually all of the medium-sized and smaller local authorities visited saw their role primarily as developers--although in most instances private consultants and contractors did much of the work involved in identifying, packaging and implementing projects. We will comment later in more detail on the consequences of this choice of roles.

On the question of whether the Integrated Development Plans (IDPs) have been real tools for integrating both planning and operational activities, it is our impression that they have not. While our examination of the IDPs produced by TLCs (Transitional Local Councils) was relatively cursory, we formed the view that many IDPs were far too general to be real development tools. In short, many of the IDPs have been little more than an ex-post-facto rationalization of what was being done at the time anyway. In spite of this, the team does believe that assistance with this process can be appropriate and useful in order to accomplish some very specific goals.

Very recently there has been a growing awareness of the impacts of HIV/AIDS on housing policy and practice. The implications of HIV/AIDS for household formation and housing demand are complex and poorly understood, but there is an increasing recognition that, large existing backlogs notwithstanding, simply pursuing the building of houses may no longer be an appropriate response.

As we move into a second phase of housing delivery, subtle shifts in housing policy are in evidence in the utterances of senior policy-makers, although operationally it seems to be “business as usual.” It seems that much greater emphasis will in the future be placed on inter alia:

- Social housing delivered through housing associations;
- The leverage of sweat equity and savings through the People’s Housing Process;
- The linking of subsidy access to savings;
- The more aggressive pursuit of measures to make end-user financing available to poor people (prescribed assets etc.).

¹ Johannesburg, Cape Town, and Durban

The harsh realities of HIV/AIDS may force a much more fundamental rethink of housing policy and practices. In contemplating future USAID/SA support, it would not be wise to draw up proposals to deal with yesterday's problems. Change is in the air.

The constitution gives local authorities, both district councils and local councils, depending on capacity², the responsibility to ensure that basic services are provided to citizens. These municipal services include:

- Water
- Sanitation and waste-water
- Refuse removal
- Energy supply
- Primary and environmental health-care
- Roads
- Public transport
- Street-lighting
- Parks and recreation
- Cemeteries
- Libraries
- Municipal policing/protection services
- Disaster management

While progress has been made in housing delivery, urban service delivery has been more patchy. Actual progress has been difficult to measure because of poor monitoring systems. At a local government level, there has been a significant shift in spending away from historically white areas to historically black areas. Whether such shifts have responded to needs appropriately or have been informed by clear developmental initiatives is another matter altogether. Typically, line functions have continued to do what they used to do, the difference being that this is now being done in black areas. The integration of housing and urban service delivery has been particularly problematic.

It should be noted that effective and sustained service delivery is closely tied to the financial viability of local authorities. There are huge backlogs in service delivery, and the Municipal Infrastructure Investment Framework of 1997 estimated that (in 1996 prices) an amount of between R67 billion and R114 billion would be needed over a ten year period. These estimated amounts are far beyond the ability of local governments to raise. The only way in which such capital can be raised is through using government investment to leverage in private investment. Unfortunately, few local authorities have the credit ratings necessary to raise funds on capital markets--but it is government policy to try to ensure that as many local authorities as possible do develop this capacity, so that direct government investment can be focused on the really poor local authorities.

² This report, in general, refers to local governments and local authorities and does not attempt to draw distinctions between local and district councils. The report makes this distinction only if it is sensible in making specific points concerning the relationships between the two.

It should also be noted that in the wake of the aggressive institutional restructuring that has accompanied the Igoli 2000 process in Johannesburg, the issue of pursuing alternative approaches to service delivery has become highly politicized. Apart from the development of an anti-privatization lobby in Johannesburg, such politicization has developed sufficient momentum to bring the process of institutional restructuring in Durban and Cape Town to a halt, at least until after the local government elections in December.

It is very likely that a period of years will be required for the new local government system to begin to function efficiently. A major reason for this is the lack of capacity at the local level to carry out its assigned responsibilities. Other very recent donor studies have also concluded that the local government system in its entirety is in great need of capacity building and technical assistance, and have made suggestions on how this might be accomplished. Capacity at the central and provincial levels is also an issue.

The short answer to the assessment team's brief is therefore that there is a tremendous need for capacity building and technical assistance programs to enable local government to begin to fulfill its housing and urban services delivery responsibilities. However, that said, the feasibility for USAID/SA to develop such capacity building programs is rather more complicated.

While there seems to be recognition at the central government level of the need to move forward in a comprehensive way, there is not yet much evidence that government is putting in place policies and programs to accomplish this, and within which the various donors could fit. Some programs do exist and these are discussed in section 5. The lack of an overall framework and programs within such a framework is, in itself, is a reflection of the stretched nature of DPLG (Department of Provincial and Local Government) and the LGTP (Local Government Transformation Program). They have been working very hard to meet the deadlines imposed in restructuring the local government system. Capacity building has had to wait its turn. In the absence of this lead by government, while individual and targeted training and capacity building efforts should be undertaken, it would be difficult for USAID/SA to formulate comprehensive programs or even to formulate programs on a large scale that address directly capacity building for housing and urban services. Furthermore, with housing and urban services policies in significant flux, it is unwise to get too far ahead of the curve.

Nevertheless, there is still much that can be done at the local government level that will make a difference in the housing and urban services sectors. Many of the activities currently being carried out by USAID/SA involve capacity building of one kind or another, even when they are very operationally oriented. The team's view originally had been that this approach in housing and urban services should by now have resulted in sufficient models and sufficient evidence of success or not to be able to scale up to a significant program. Our conclusion after reviewing the situation on the ground is that the current situation does not lend itself to this and that it is far better to continue with a diverse approach that will enable USAID/SA to be more flexible in its support and to

take advantage of the current uncertainties and opportunities on many issues. This needs, however, to be coupled with a comprehensive dissemination program and emphasis on activities that are “tomorrow’s priorities.” We describe these priorities in more detail throughout this Report.

1.3 Recommendations

The recommendations below are elaborated upon in section 5.

- Continue to support worthwhile housing and urban services delivery initiatives and pilots, especially those that have links with local government.
- Continue to fund debates on important housing and urban services policy issues.
- Initiate a major dissemination program of best practices that would involve linking local authorities.
- Encourage a dialogue on the preparation of a long range, integrated program of local government capacity building with respect to housing and urban services delivery.
- Examine closely and support various private sector and non-central government alternative vehicles for technical assistance and capacity building related to housing and urban services delivery.
- Provide support for the special needs of larger cities and metros connected to their problems of housing and urban services delivery.
- Provide support for addressing issues that have significant impact on the delivery of housing and urban services, such as HIV/AIDS.
- Support increased job creation through housing and urban services delivery measures.
- Focus attention on environmental and climate change issues.
- Capitalize on the processes that will need to be put in place at the local government level under the new geographical structure and the documents, including IDPs, that will need to be prepared or re-done because of the changed boundaries and responsibilities.

2 The Assessment Report

2.1 Objective of the Assessment

The objective of this Assessment is to articulate the basis for USAID/SA to make informed decisions concerning the need and feasibility of developing a capacity building and technical assistance program to assist local government authorities increase access to housing and its related environmentally sound services for historically disadvantaged households. The complete Scope of Work is provided in Annex 1.

2.2 Assessment Team and Methodology

The team consisted of two South Africans, Dan Smith and Lansana Marah, and one American, Michael Lippe. All three were contracted through Macro International. The work of the team was carried out in three phases. During the first phase, the team prepared a work-plan and provisional questions and conducted a number of interviews together in Pretoria, Johannesburg, and Cape Town. In the second phase, team members operated largely independently, conducting interviews and research in South Africa and the United States. In the third phase, the team came together again, continued to conduct interviews, and worked intensively to prepare a draft report. Most interviews were conducted with individual key informants. However, in some cases, there were larger meetings with local authorities. Preliminary conclusions were discussed in a roundtable with knowledgeable South Africans on October 26, 2000. A presentation was made to USAID on October 31, 2000. A list of persons and organizations consulted is attached in Annex 2.

2.3 Structure of this Report

This written report is intended to be brief. The primary intention of the consultancy was to raise issues and provide conclusions and ideas upon which USAID/SA can then go forward with a more detailed examination and, if appropriate, project design(s). There are five sections in the report. The first section, the executive summary, sets forth the team's major findings and its broad recommendations. The second section describes the report itself. The third section describes the South African framework within which local government responsibility for housing and urban services takes place at this time. The fourth section addresses a number of specific issues that the terms of reference raised. Finally, the fifth section discusses the current state of capacity building for local government and sets forth detailed recommendations for USAID/SA.

3 The South Africa Context

In December of this year, local government elections will take place in 284 newly demarcated local government areas. A key feature of the demarcation process has been to reduce the number of local authorities (from 843). The transformation of local government has followed the process laid out in the Local Government Transition Act of 1993. The "Pre-Interim" phase ran

from 1993 to 1995. The “Interim” phase began in 1995 and will end with the elections in December. In the Interim phase, transitional local authorities were established which amalgamated previously racially split local authorities but which did not rationalize the overall configuration of local authorities. Such rationalization is to be achieved in the “Final” (post-2000 elections) phase that involves the new demarcation referred to above and the consolidation of new local authorities.

In this Final phase, local authorities will be grouped into three categories--so-called Category A local authorities (six metropolitan areas), Category B local authorities (229 local municipalities), and Category C local authorities (46 district councils). The demarcation process aims to establish new local authorities that will have geographic coherence, will be endowed with a critical threshold of capacity, and will have a chance of achieving fiscal sustainability by virtue of the combination of areas with different income generating capacities.

Newly demarcated local authorities will face a plethora of challenges. This report focuses primarily on the challenges in respect of housing and urban service delivery (rather than on fiscal, financial and governance challenges, which have tended to be the focus of other investigations).

3.1 Housing

Housing is the constitutional responsibility of national and provincial governments. It has been strongly driven from the center from even before South Africa’s first democratic elections. Not surprisingly, the emphasis of the post-1994 election period was on delivery. In the field of housing, this emphasis translated into a preoccupation with delivery targets—sometimes seemingly only a numbers game. Government promised its electorate that it would produce a million houses in five years. By the second national elections in 1999, approximately 750,000 units had indeed been built--not that far off the ambitious target originally set.

While impressive scale in delivery has been achieved, such delivery has been uneven (with great success in some areas and failure in others). More important though is the concern that is increasingly being aired about the nature of the physical environments being created. More specifically, concerns have been raised about the sterility of the row upon row of small box-like structures that have mushroomed across the country, as well as the locations of these new housing developments on the far periphery of major cities.

Housing policy was initially predicated on the assumption that, in the incremental and starter markets, government subsidies would be augmented by the leveraging of private contributions and the availability of end-user finance. Six years on, there has been little evidence of investment in low-income housing over and above the government contribution. While housing policy has been a resounding success in terms of delivering core houses, it has also been a failure when it comes to the leveraging of end-user finance and individual contributions.

Concern has been expressed over the failure to provide public and private facilities along with housing. While housing policy is partly responsible for urban sterility outcomes, it has also become apparent that urban management policy and practice has lagged behind housing. Housing delivery, driven by national and provincial government, was already happening at scale before the first integrated development plans were introduced in South African cities and towns.

Very recently there has been a growing awareness of the potentially paradigm-changing impacts of HIV/AIDS on housing policy and practice. The implications of HIV/AIDS for household formation and housing demand are complex and poorly understood, but there is an increasing recognition that, large existing backlogs notwithstanding, pursuing policies of housing construction as an end unto itself may no longer be an appropriate response.

As we move into a second phase of housing delivery, subtle shifts in housing policy are in evidence in the utterances of senior policy-makers. However, operationally it seems to be “business as usual”. A new emphasis on quality as opposed to quantity is evident in a recently formulated policy document.³ To the extent that this document accurately reflects likely trends in housing policy and practice, it seems that much greater emphasis will in the future be placed on inter alia:

- Social housing delivered through housing associations
- The leverage of sweat equity and savings through approaches such as the People’s Housing process
- The linking of subsidy access to savings
- The more aggressive pursuit of measures to make end-user financing available to poor people (prescribed assets etc).

The harsh realities of HIV/AIDS may, however, force a much more fundamental rethink of housing policy and practices. In contemplating where USAID support to newly-demarcated local authorities should be targeted, it is worth remembering that it would not be wise to draw up proposals to deal with yesterday’s problems. Change is in the air.

It should be noted further that local authorities have struggled to define their role in housing delivery and have often been the passive recipients of policy and practices hatched elsewhere. The section dealing with the role of local government in housing will elaborate this point further.

In some areas, particularly small towns, new housing projects have imposed substantial running costs on local authorities, nudging some of them towards bankruptcy. Many rely almost entirely on central government transfers via the equitable share provisions of the constitution. Just how sustainable such transfers are is a moot point. The sustainability of delivery at scale is also being questioned, not only with respect to the running costs of local authorities but more fundamentally in relation to the flow of subsidies. Cash flow difficulties have been encountered across the country and at present it is extremely difficult to access subsidies.

3.2 Urban Service Delivery

The constitution gives local authorities the responsibility to ensure that basic services are provided to citizens. These municipal services include:

- Water
- Sanitation and waste-water
- Refuse removal

³ Department of Housing. Pretoria, 1999, “Draft Housing Strategy for the New Millennium”

- Energy supply
- Primary and environmental health-care
- Roads
- Public transport
- Street-lighting
- Parks and recreation
- Cemeteries
- Libraries
- Municipal policing/protection services
- Disaster management

While progress has been made in housing delivery, success in expanding urban service delivery has been less clear. Actual progress has been difficult to measure because of poor monitoring systems. At the national level, the most significant progress has been in the rationalization of transfers from the central to the local level for the delivery of basic services and bulk supplies (via CMIP and the Equitable Share). The Municipal Infrastructure Programme has also led to a flurry of infrastructure delivery around the country. The new demarcation process will in all likelihood require adjustments to aspects of these policies and programs. Some changes to the formula for calculating the equitable share, for example, may be necessary.

It should be noted that effective and sustained service delivery is closely tied to the financial viability of local authorities. There are huge backlogs in service delivery and the Municipal Infrastructure Investment Framework of 1997 estimated that (in 1996 prices) an amount of between R67 billion and R114 billion would be needed over a ten year period. These estimated amounts are far beyond the ability of local governments to raise. Service needs are huge and government is in no position to supply the needed funds for services, let alone even for housing. The only way in which such capital can be raised is through using government investment to leverage in private investment. Unfortunately, few local authorities have the credit ratings necessary to raise funds on capital markets--but it is government policy to try to ensure that as many local authorities as possible do develop this capacity so that direct government investment can be focused on the really poor local authorities.

The vision is that, in the long run, an environment needs to be encouraged to emerge in which loan finance becomes increasingly available and decreasingly costly to local authorities. This will be because local authorities will have developed appropriate financial behaviors (cost recovery, good financial management etc.).

At the local government level, there has been a significant shift in spending away from historically white areas to historically black areas. Whether such shifts have responded to needs appropriately or have been informed by clear developmental initiatives is another matter altogether. Typically, local authority line functions have continued to do what they used to do, the only difference being that this is now being done in black areas. Thus, private swimming pools are built and supplied with water in townships whether or not they constitute a priority use of water. This is indeed no different than what occurs in the generally more affluent, formerly all-white suburbs.

While Integrated Development Plans (IDP's) have been produced by about half the local authorities (usually by hired outside consultants) in response to the Local Government Transitional Act, such plans have been superficial and have lacked real developmental content. As pointed out above, such plans, while theoretically holding much promise, have failed in many instances to properly integrate housing delivery with urban service delivery.

In Johannesburg, innovation in the area of improving on the efficiency of service delivery has been driven by the magnitude of the financial crisis facing the city. The relatively radical restructuring processes being undertaken there have set the tone for the rest of the country and created the space for a debate about the role of local government in service delivery that will be more fully addressed in a later section. It has also spawned an ideological counter-reaction concerning privatization issues that is sufficiently significant to be taken seriously.

4 Assessment Focus Areas

4.1 The Role of Local Authorities

The team was asked to comment on the role that local authorities envision for themselves in shelter and urban service delivery and whether such a role was consistent with and appropriate to their strategic plans (IDPs). Further to this, we were also asked to explore whether linkages between shelter and urban service delivery on the one hand and IDPs on the other, were real. Comments on technical assistance needs were also requested.

As far as the role of local authorities is concerned, it should be noted at the outset that in terms of the constitution housing is a concurrent national and provincial function. Local government is required constitutionally to facilitate housing delivery within its jurisdiction but is not required to make any direct financial contribution to housing delivery. Moreover, the Housing Act of 1997 empowers (but does not require) local authorities to take on the role of risk-taking developer.

When viewed from a legalistic perspective then, it follows that local authorities have some choices with respect to the role that they can play in shelter delivery. They can, for example, choose to contribute financially to shelter provision (or not). Moreover, they can choose to take on full, partial or no developer risk. Given the scale of the funds involved in housing delivery these are serious and important choices.

In our visits to local authorities we observed a range of responses to these choices--some quite deliberate while others were less conscious. It is noteworthy that in the three future "unicity" areas that we visited, housing officials were quite clear that they saw the role of the local government in shelter delivery as a facilitation role and that the developer role should only be undertaken as a last resort. Durban and Johannesburg were particularly clear in this regard while in Cape Town the biggest existing transitional local council has set up a special purpose vehicle outside of local government to arrange new housing developments (albeit at a relatively small scale at present). Other local

authorities in the Cape metropolitan area (e.g. Tygerberg) have aggressively taken on the developer role. Given the uncertainty about which political party will prevail in Cape Town, the future role of the municipality in housing remains unclear.

Durban and Johannesburg have developed rather sophisticated housing facilitation strategies although it is only in Durban that there is substantial experience in implementing strategy. In both contexts sophisticated personnel are required particularly to package joint venture arrangements and give them contractual form, and to manage risk. Durban, Johannesburg and Cape Town have all opted to augment national housing subsidies from own funds albeit in different ways and to different extents. This choice notwithstanding, officials in all three areas have expressed a sensitivity to and concern about unfunded mandates, arguing that housing delivery imposes several costs on local government that are not compensated.

Virtually all of the medium-sized and smaller local authorities visited saw their role primarily as developers, i.e. responsible for putting housing in place, including taking the financial risks associated with this role--although in most instances private consultants and contractors made most of the running in identifying, packaging and implementing projects. In fact, few of the smaller local authorities showed any sensitivity to either the risks associated with the developer role or to unfunded mandates. In several towns the operating costs associated with housing related service consumption and maintenance are funded almost entirely via the equitable share (e.g. Malmesbury and Stanger), which is not a very healthy situation.

In some areas such as Umtata the equitable share is not sufficient to cover housing related service consumption costs, which in turn is putting pressure on the viability of the council. It should also be noted that smaller- and medium-sized towns have been quite active in housing delivery. In the Western Cape for example, it was reported that much more housing has been delivered outside metropolitan Cape Town than in it. In fact, in a number of smaller towns in South Africa, housing development has quadrupled the spatial size of the towns in the few years since the 1994 elections (e.g. Mooi River, Worcester, Theunissen etc.). In fact, the consultant team has begun to wonder whether or not there has been over-provision in these towns especially in the context of slow economic growth and HIV/AIDS. This observation may further imply that USAID should focus its efforts on the Metro's and large cities where the challenges are enormous.

Before moving on to discuss the role of local government in urban service-delivery, it should be noted that a substantial shift in national government policy regarding the procurement of land and subsidies will bring the role of local authorities in shelter provision more sharply into focus. Whereas in the past private developers, communities, and local governments could initiate housing projects and then submit a proposal to a Provincial Housing Development Board, in future the identification and purchase of land for housing purposes as well the securing of subsidies to develop that land will be subjected to much more formal procurement processes.⁴ In short in order to

⁴ Report on the Investigation on Public Sector Procurement VA49/139. Final report March 2000

initiate housing projects, local authorities will be required to first put out a public call to all landowners who may be interested in selling their land for low income housing. Only once land has been secured (via for example a land availability agreement) will the subsidies to purchase and develop the land be put out to tender.

A major implication of this approach is that local authorities will now have to play the role risk-taking developer whether they want to or not, although some risk can be offset by out-sourcing. It will be possible to put projects out to private developers through a turnkey contracting strategy, but only if the local authority is accredited to administer the national housing subsidy scheme in terms of section 10 of the Housing Act of 1997. For the Metros that have clearly indicated a preference for a facilitation role, as opposed to direct development, accreditation becomes crucial. Whether provinces will in fact go through with accreditation has yet to be demonstrated given the loss of power that this implies (some provincial officials we interviewed have expressed doubts that it will actually happen).

Whereas there is some debate about the responsibilities of local government in housing the same cannot be said about urban service provision. Such service provision is generally considered the essence of local government and there is no questioning whether councils ought to be taking responsibility for it. What is being increasingly questioned is whether local government can or should be involved in direct delivery of a variety of services. Awareness of the possibilities of inter alia outsourcing, privatizing, concessioning, and joint venture partnering of service delivery seems to be confined largely to the Metros and bigger local authorities although we did find some important exceptions e.g. the Dolphin Coast in KZN.

It should be noted however that in the wake of the aggressive institutional restructuring that has accompanied the Igoli 2000 process in Johannesburg, the issue of pursuing alternative approaches to service delivery has become highly politicized. Apart from the development of an anti-privatization lobby in Johannesburg, such politicization has developed sufficient momentum to bring the process of institutional restructuring in Durban and Cape Town to a halt at least until after the local government elections in December.

It is our impression that there has been no substantive debate about alternative approaches to service delivery, only reaction and counter-reaction. The depth of the crisis in Johannesburg has allowed fairly radical restructuring of the institutional arrangements for service delivery, but we doubt that there will be much progress elsewhere unless the debate is aired in a more open and substantive way with a view to reducing ideological polarization. Weighed against this conclusion it should be noted that the MIIU has attracted a great deal of interest from local authorities around the country suggesting that there is substantial demand for creative new approaches to service delivery.

On the question of whether the Integrated Development Plans (IDPs) have been real tools for integrating both planning and operational activities it is our impression that

they have not. While our examination of the IDPs produced by TLCs was relatively cursory, we formed the view that many IDPs were far too general to be real development tools. In short, many of the IDPs have been little more than an ex-post-facto rationalization of what was being done at the time anyway.

The integration of housing and urban service delivery has been particularly problematic. In Durban for example a number of the IDPs drawn up by TLCs excluded housing altogether because this was considered a Metro Council or provincial function (in Durban a dedicated housing delivery unit was set up in 1996 and attached to the Transitional Metro Council). One consequence of the omission of housing from TLC IDPs was that no budgetary provision was made for facility provision in new housing areas. In fact all facility provision was focused on the established townships.

It should be noted further that housing delivery got off the ground much earlier than the introduction of IDPs. Thus when IDPs did make an appearance the housing horse had already bolted. In many small and medium-sized towns we got the impression that housing delivery had been a convenient way to demonstrate delivery and that councils had been opportunistic in this regard. We have already commented on the possibility of over-provision of housing in these smaller towns.

It is worth noting however that there have been some significant success stories with respect to integrated delivery. Particularly noteworthy in this regard are the large area-based planning and development initiatives in Cato Manor, Katorus (Gauteng), and the Integrated Serviced Land Project (Cape Town). The success achieved here suggests that it would be identifying and disseminating the key success factors associated with these initiatives. There may also be room for further testing and developing the idea of area-based initiative through well conceived pilot projects.

It should also be noted that one of the advantages of the new procurement procedures referred to above, is that local authorities will have much greater control over the location of new housing projects. This should substantially contribute to the better integration of housing and urban service delivery particularly if IDPs are harnessed and used more effectively.

The analysis presented above suggests several recommendations regarding technical assistance and capacity building. These can be summarized as follows:

1. Focus housing and urban service delivery assistance on the bigger cities and the metros.
2. Provide support to the bigger local authorities in giving real content to the facilitator role that they envisage playing. Officials will need skills in procurement, partnership and joint venture packaging, contract formulation, risk-management, compliance monitoring etc. The possibility of the MIIU, or something similar, extending the scope of its current activities to include housing should be given consideration.

3. Develop a program to raise the risk management capacities of smaller and medium-sized local authorities and to increase their awareness of the financial vulnerability that injudicious housing and urban service delivery can bring.
4. Choose a local authority (e.g. Durban) that is well advanced in its negotiations on accreditation with provincial authorities and which has a good chance of actually being accredited. Provide support, document the process and disseminate the learning widely.
5. Initiate a serious and substantive debate on the institutional restructuring issues pertaining to service delivery (PPPs, outsourcing, utilities, corporatization, privatization etc.).
6. Fund the program management costs of an area-based planning and development initiative which builds on the lessons of other successful area-based initiatives but which specifically examines the applicability and replicability of the approach as a key tool to be used by local authorities in achieving integrated development.
7. Support the new round of IDP formulation by identifying and disseminating the key success factors in successful IDPs and area-based integration initiatives.

4.2 Financial and Environmental Viability of Housing and Urban Services

The team was asked to comment on the long-term financial and environmental viability of housing and urban service delivery. The scope of work goes on to ask whether local authorities take into consideration in their planning and decision-making process the long-term financial and environmental viability of housing and urban service delivery. This would include the full cost of location, utility usage, transportation costs, etc calculated into the price of the housing/services and into the local authority's recurring budget. Further to this, we were also asked to explore whether decisions regarding housing and service siting are appropriate in terms of service-delivery costs and environmental preservation.

Financial viability

From our visits, we came away with the clear impression that local government financial viability is very weak. This was confirmed by key informant interviews within DPLG.

In practice, local authorities have taken on the responsibilities of the delivery, management and administration of housing and urban services in many places without full consideration and understanding of their financial implications. We found that local authorities have been financially hard hit by their new housing responsibilities, by the maintenance of existing housing, the management of informal settlements and the maintenance of existing services. In addition, the general administration that accompanies the above has proved to be a burden. There are real recurrent costs that are borne by local authorities over and above the national capital subsidies that are paid out on a one-time basis.

The lack of payments by communities for services and house rentals is high and has had a substantial effect on many council's cash flow. Perceptions from the councils visited are that the non-payment situation is related to a combination of the high cost of the services being provided to low-income families (i.e. the services provided are not appropriate to their financial resources) and more general dissatisfaction with council performance in unrelated areas, including possibly corruption.

Even though an equitable share is received from central government, it generally has not been able to substantially improve local authority finances.

All local authorities visited have embarked on the preparation of Integrated Development Plans (IDP). The short, medium, and long-term financial and environmental sustainability of local authorities has been set forth in the IDPs. The question is how real are these figures? It is becoming apparent that the IDPs are static documents and do not inform the council budget process. This situation is worse in small councils. In some cases (e.g. Kei District Council), service sectoral plans (e.g. for water) are being done at the same time as the IDPs by different consultants and there is very little coordination between the two. The full cost of location, transportation and utility usage have not been incorporated in the cost of houses and services in council's recurrent budget. Low-income housing and the CMIP program are national capital subsidy programs. No extra funding comes with these programs for management, operation and maintenance. Surplus balances in the councils' trading accounts have been gradually dwindling as a result.

Tariff structures have been constant for a long time. They do not reflect the cost of location, standards or utility usage. Flat rates have been introduced in some areas but, generally, local authorities have been compensated through the equitable share. How the promises now being made in the local government political campaigns for the free supply of water will affect local government finances has not been calculated.

The appropriateness of siting of housing and services has been an issue for local government since the new dispensation. Some efforts have been made by the Metros to focus new development in in-fill sites but, generally, new development has taken place in and near existing low-income settlements. Decisions have not been appropriate in terms of service costs and environmental preservation. Decisions have been politically and demand driven.

Environmental Viability

Local authorities in general and, in particular, the ones visited in this study are very weak in the environmental arena. In our discussions with local authorities and provincial government, we were left in little doubt that the primary problem was a resourcing and capacity one. New legislation has placed a major burden on the shoulders of local authorities and they are ill equipped to deal with it. In metropolitan councils dedicated capacities do exist but they are severely stretched and under-resourced. Typically a very small number of very committed staff members inter alia assess all

development proposals, arrange for environmental impact assessments where necessary, participate in policy debates and formulation, monitor pollution and environmental hazard, and ensure compliance with national and provincial legislation. It was quite apparent to us that they really struggle to cope. We also observed that environmental officials occupy relatively junior positions generally within the context of a planning service unit.

In medium-sized and smaller local authorities, we found no evidence of dedicated environmental capacity and limited part-time capacity. Thus, many such local authorities are in violation of environmental legislation and an environmental response is non-existent.

Key informants⁵ have indicated that part of the answer to the capacity problem might lie in the mainstreaming of environmental awareness and capacity within line functions themselves—particularly those that deal with housing and urban service delivery. The activities of these “mainstreamed environmental functionaries could then be supported by an environmental management core team. In smaller towns it was considered unrealistic to hope for the provision of dedicated resources. Instead it was felt that a few existing officials in each local authorities would have to be “multi-skilled” and would have to perform environmental functions in addition to their other responsibilities.

Environmental planning and protection and much needed development (e.g. housing, urban services) need to be integrated. Currently, “environment” is not a priority. Other constraints highlighted for from visits to local authorities and the Gauteng Department of Environment include:

- Lack of understanding/skill/knowledge/ technical expertise on environmental issues at all levels results in inappropriate strategy formulation and decisions detrimental to the environment;
- Local Government's participation in legislation formulation is generally underemphasized;
- There is a need for Strategic Environmental Assessments that would address long-term environmental objectives and targets as well as interim goals to guide urban management. SEA's would discourage the “piece-meal” approvals that now seem to dominate development;
- There is little integration of Environmental Information Management Systems (decision making tools, indicators of environmental degradation) with decisions being taken;
- There is very little coordination among departments within the same jurisdictions often giving rise to sub-optimal resource use;
- Political pressures seem to play a big role in environmental decisions.

⁵ Debra Roberts. Durban Metro. Personnel Comm.

Special Focus - Global Climate Change in South Africa

In 1990, South Africa became a signatory to the Montreal Protocol, the purpose of which is to limit the emissions of substances harmful to the ozone layer, so that climate change is prevented or reduced. The United Nations Framework Convention on Climate Change (UNFCCC) was also signed by South Africa in 1994 and ratified in 1997. Since 1994, nearly 1 million households have been electrified, although coal and wood still remain important fuel sources. There have been some very limited climate change issues at local government levels.

As far as awareness of climate change is concerned, we found that metro environmental officials understood the issues but that few had explicitly attempted to incorporate climate change strategies, indicators, and monitoring into IDPs or into their operational activities. However, the Midrand EcoCity program seems to be an excellent example of measures that can be taken. Also, the ICLEI proposal that has now been accepted by DEAT promises to make significant progress in this area.

On the issue of awareness of the implications of land use patterns on climate change we found that the idea of compact urban development is a dominant planning concept (but not for climate change reasons) in South Africa and most of the existing land use plans for the big cities have the stated objective of achieving compact integrated development. Lack of successful implementation of such plans (and their active contradiction through many low-income housing developments) as well as other considerations relating to the operation of the property market are leading to a questioning of the concept---and only rarely is a climate-change defense part of the debate.

It is also apparent in the South African context that the major issues to be addressed from a climate change perspective relate primarily to carbon monoxide emissions associated with long-commuting distances and poor public transport and to coal-burning. South Africa is particularly well endowed with cheap coal supplies both as a source of electricity and more directly as a ubiquitous household energy source (for heating and cooking). In our discussions in the metros and the large towns, we formed the impression that officials saw little alternative to combi-taxis as the primary pillar of a “public transportation” system in South African cities and that there was, as a consequence, little opportunity to reduce overall emissions except through improving engine efficiency (through for example the taxi re-capitalization program).

Whether this is in fact the case needs critical assessment and debate (and debate is quite limited in this regard in South Africa). Moreover, given relatively slow (and perhaps static) expected population growth in South Africa’s cities, it follows that from a climate change perspective it is crucial that further urban sprawl is prevented. It is particularly important that in dealing with large existing housing backlogs that new “greenfields” projects are well located. But it is perhaps even more important that local

and provincial authorities, in understanding the implications of the HIV/AIDS epidemic for housing, move away from an emphasis on creating new housing environments and focus instead on “in situ” upgrading wherever possible. This will contribute positively to containing negative-climate-change impacts of urban development in South Africa.

Given that it is unlikely that South Africa will move away from the use of coal in generating electricity for some time, it seems that in the short- to medium-term a focus on reducing direct emissions associated with households (especially in the townships) is likely to yield more from a climate-change perspective. Ironically, this probably translates into increasing the numbers of households connected to a formal electricity supply. But, it may also be well worth promoting more energy-efficient housing design or alterations to existing housing. In this regard the introduction of ceilings into existing houses in Midrand is an excellent example.

One of the issues we considered and which requires focused consideration, concerns the best points of leverage for environmental and climate change issues. To be more specific, we critically considered the issue of whether dedicated capacity is needed in local government to champion both environmental and climate change issues or whether they should be addressed as quality and cost issues of housing and urban services. It should be apparent from comments made previously that we are quite strongly of the view that (a) environmental response capacity and sensitivity should be mainstreamed and (b) that in the medium-term dedicated and powerful capacity is required to facilitate such mainstreaming. In the course of time the need for such dedicated capacity will hopefully diminish and this will depend on the extent to which mainstreaming is successful.

As far as climate change is concerned, however, we are of the view that the primary leverage points are the urban management and urban planning functions of local government rather than a dedicated “climate change” function. The formulation of IDP’s by local authorities in the post-demarcation period suggests a rather obvious point of entry. The centrality of ensuring a focus on “in situ” upgrading and the appropriate location of what “greenfields” housing delivery does occur, has been stressed above. What should be particularly avoided is the relocation of well-located and dense informal settlements to low-density peripheral locations as has happened in some locales (in the name of slum clearance and urban reconstruction).

Capacity Building Needs

In the light of the above, the following recommendations are proposed:

1. Liaise with the metros and large local authorities on the formulation of plans to improve the resourcing of their environmental capacity (as part of their new IDP exercises). Offer to fund short-term or “interim” capacity support on the proviso that resourcing plans referred to above will be drawn up and implemented.

2. Liaise with metros and bigger local authorities about improving the profile and seniority of the environmental function in the new council structures. This should be linked to IDP formulation and the implied resourcing.
3. Fund a pilot project with a metro that focuses on the mainstreaming of environmental capacity within line functions. Link this to the institutional response of the Council to its IDP. Document and disseminate findings widely.
4. Implement measures to improve awareness of climate change issues and their incorporation into IDPs and subsequent practices. Ensure that the climate-change defense of compact city development receives a fair hearing. Work closely with the ICLEI program to disseminate progress being made.
5. Focus climate change initiatives on ensuring that local authorities, particularly the bigger one's, shift their housing delivery in the direction of "in situ" upgrading rather than to continue emphasizing new "greenfields" development, and that they ensure that the location of whatever "greenfields" housing they do deliver is well-located.
6. Support pilot projects that show promise in reducing the burning of coal in low-income areas. Disseminate findings widely.
7. Support awareness workshops for provincial and local government officials and councilors, to ensure co-operative governance and "common vision"/consistency in decision-making, in view of the fact that provincial government currently administer legislation which has implications for GCC (e.g. Environmental Impact Assessment (EIA) regulations).
8. Identify other environmental interest groups (e.g. Industry, NGOs) and encourage them to work closely with local government on capacity building issues.

4.3 Job Creation and Income Generating Activities for Residents

In the scope of work, we were asked whether the current delivery of housing and related services maximizes the potential for job creation and income generating activities for residents, and if not, what could be done to maximize this. We were also asked to look at the ways in which urban local authorities engage the private sector in decision-making and implementation of housing and urban-service delivery programs. Further, we were asked to comment on whether more such linkages are appropriate and how could they be structured and encouraged.⁶

Job Creation and Income Generation

The delivery of housing and urban services has been a strong catalyst and provider of jobs and income in local authority areas. According to central government, to date, over 600,000 permanent jobs and 2 million temporary ones have been created because of the housing program.⁷ Over 50% of the houses built have been built by emerging contractors and a good proportion by women contractors. Capital works

⁶ In discussions with SO6 subsequent to presentation of the draft report, the team stated that the recommendations being made should be understood as advocating a larger role for local government in promoting local businesses generally, not as advocating priority for activities by SO6 in the job creation field.

⁷ Press release, National Minister of Housing, 16 October, 2000

programs (i.e. infrastructure development) have created jobs and broader interaction with the private sector.

Nevertheless, despite these impressive figures, in discussions with local governments we formed the view that thinking (with some noteworthy exceptions) at the local government level about job-creation and income-generating activities related to housing and urban services was confined largely to affirmative procurement and the use of local labor in housing and urban services projects. In fact, we found impressive evidence across the local authorities visited of the use of these strategies.

Furthermore, most of the provincial housing departments we spoke to indicated to us that affirmative procurement (especially with respect to the use of contractors) and use of local labor were factors used in awarding housing subsidies to projects. In the water sector, there was also substantial evidence of the use of water bailiffs who in essence would on-sell water in areas where water was not reticulated to sites.

While affirmative procurement and use of local labor appear to be widely practiced, it should be noted that neither necessarily create new jobs on the one hand or sustainable jobs on the other. When affirmative procurement is linked to the use of labor-intensive technologies and where contracts are broken up to encourage the participation of small contractors, then new jobs may be created.

In the housing arena we observed, affirmative procurement notwithstanding, that housing infrastructure was often tackled in a relatively capital intensive way and often by a large main contractor. Because profit margins are so tight, bigger contractors increasingly see the provision of the “civils” as the place where profits can be made. It is quite commonplace for them to sub-contract top-structure construction (which is by nature more labor-intensive provided industrial mass-production technologies are not used). It was our view that job-creation could be enhanced by a more self-conscious breaking up of the civils contract at the procurement stage, a point which was confirmed in subsequent discussions with key informants.⁸ Given that local authorities will be much more directly involved in housing project procurement than hitherto under new regulations discussed in section 4.1 above, it follows that there may well be mileage in helping them package contracts in a small contractor-friendly way.

Turning to the issue of sustainable job creation the construction sector is generally regarded as the creator of only short-term jobs. This is particularly the case in the context of a policy of hiring local community labor. By definition then people lose their jobs when the community project is over. Contractors also argue that the use of local labor causes major inefficiencies since new workers have to be constantly trained. Difficulties also emerge when community politics is dragged into labor relations (e.g. workers strike because local government switched off water to non-payers—something the contractor has no control over).

⁸ Matthew Nell. October, 2000, Personal communication

In Durban, interesting work is being done in developing a local economic development strategy (as part of IDP strategy) that focuses primarily on the creation of sustainable jobs. This work focuses on understanding what it is that makes certain sectors more competitive and then devising strategies to enhance such competitiveness. A study on the informal chicken industry for example has helped identify those areas of the chicken industry in which small players have a chance of establishing a competitive advantage vis a vis bigger players. Such competitive advantage, it should be noted, is seen as the key to sustainability. A similar study of the construction sector may be quite revealing.

A particularly important finding of research in Durban however relates to the significance of “weak domestic demand” factors as a major constraint on the growth of many sectors of both the formal and informal economy. In short, it has become apparent that unless key sectors are able to connect to export markets sustainable growth is unlikely. Moreover, unless overall economic growth reaches at least 7% per annum the economy will not produce the job growth needed. At current economic growth rates of around 2% to 3%, the formal economy is actually shedding jobs each year. Research in Durban has however revealed that there are many sectors of the informal economy (and the formal economy) that can be grown by linking them to growing international markets. Traditional medicines and “community” tourism are two good examples. The crucial intervention it seems is to help make the links to foreign markets.

Job creation and income generation has been one of the focal points of local councils’ planning, implementation, operation and maintenance policies and strategies as emphasized in all the local councils visited. This has been reinforced by the fact that most local councils have seen a decline in their revenue base through migration and an inability to collect and lack of willingness from residents to pay for services. The added problems of crime, the closure of mines in some areas, the flight of big and small business from inner cities (particularly metro areas) makes job creation an important agenda item for all spheres of government. The job summit recently held is an example of South Africa’s concern for the magnitude of the problem and the commitment being evinced from all stakeholders in finding solutions for sustained job creation.

As noted above, few local authorities appear to have made a clear distinction between strategies aimed at achieving short-term employment relief (through for example public works programs) and those aimed at the creation of sustainable jobs. In current circumstances both are probably necessary. Construction (both housing and civils) is well suited to public works initiatives and more can be done in this regard. It seems to us however that most potential lies in the promotion of informal enterprises or community initiatives that can be linked to external markets. At present, there is evidence of some, but limited, local authority support to the informal sector. However, such assistance is often related to dealing with conflicts with the formal sector (by, for example, relocating hawkers from the streets outside formal businesses to new hawker markets) or to helping informal and small and medium enterprises operate as businesses (access to credit, training, assistance in drawing up business plans etc.). With the possible exception of the Midrand Eco City initiative (where locally produced goods are

marketed to tourists), we did not come across any significant local authority support aimed at improving the access of promising businesses to export markets.

At a more micro-level, the emergence of consulting and contracting companies and individuals in local authority areas has created new and on-going challenges for local authorities. They have often asked how can these companies grow and become employers of repute, produce good quality work and compete effectively and efficiently in the market place. The reality of competition, profitability, lack of tendering skills, lack of project management skills, lack of business skills, cash flow problems, unavailability of overdraft facilities or bridging finance etc. have caused many companies to fail. This has slowed down the pace of development, particularly in the smaller local council areas where PDCs (previously disadvantaged companies) are involved. Some of the councils visited have undertaken small contractor support programs. These programs have been aimed at training emerging and small enterprises so that better efficiencies in procurement, project management and growth can be achieved.

Support for small business enterprises is increasingly becoming a feature of local authority activity particularly in smaller councils. In fact, some councils will only give work to companies registered in their areas. This forces the private sector to set up offices in these areas and thus creates potential for jobs and income for councils.

Links with the Private Sector

Most councils have collaborated with the private sector in various forms in the field of housing and urban services. They have collaborated as developers, joint venture partners (developers) and as facilitators (project design and managers). To be more specific local authorities have engaged the private sector:

- As planners; both conceptual and coming up with business plans for various housing and urban services program and projects;
- As engineering consultants (design, project management and supervision);
- As contractors for infrastructure developments;
- As delegated management (line functions; management support contracts);
- As in-house management support.

Crucially however there have been few initiatives linked to housing and urban service provision in which ambitious job-creation is pursued through public-private partnerships. The one significant example is the centrally-driven intention to create jobs through the building of social housing in the “job-summit” initiative. This initiative appears to have stumbled primarily because of a lack of clarity as to whether the project is about jobs or about the design of replicable financial mechanisms to fund social housing. There may, however, be some mileage in USAID supporting creative job-creation partnerships around housing and services but driven at a local government level.

Turning to the role that SO6 might play in the field of job creation and income-generation, we should stress that, wherever we went, “jobs” were identified as a priority, but in few places did we feel that initiatives in this regard were convincing. On the issue of the nexus between housing/ urban services and job-creation, we are of the view that there are opportunities to contribute but that these should not be overstated. We should stress also that we are of the view that the biggest opportunities in this regard are likely to be found in a paradigm-shift in the direction of more demand-responsive (as opposed to top-down) approaches to the delivery of services. This is because a more demand-responsive approach can significantly increase the rate and scale of service delivery by augmenting limited public funds with community resources. Increased service delivery implies more jobs and, in a demand-responsive approach, there is much opportunity for new enterprise creation. SO6 should also support smaller initiatives, which could contribute substantially to job creation wherever they present themselves (such as adjustments to procurement procedures).

We have also placed some stress on the importance of linking emerging enterprises to export markets. The links between such strategy and housing/urban services are not immediately apparent. However given the strong community interface that SO6 has, support to initiatives at a community level which improve the access of emerging enterprises to markets, seem very appropriate.

Capacity Building Areas

1. Select a few local authorities and provide them with assistance on procurement processes that target the required use of labor-intensive technologies and the packaging of contracts into smaller entities, which small contractors can bid for. Consider whether the MIIU might be the appropriate institution to provide this support. Document and disseminate findings.
2. Work with a local authority and labor unions that are willing to establish a “town construction labor pool” to which people with some experience in construction could belong and which contractors working on public-funded projects would be required to use. Consider mentoring strategies in connection with this. Document and disseminate findings.
3. Support service delivery initiatives which focus on the provision of services in a demand-responsive way and that contribute to new enterprise creation.
4. Fund a study (perhaps using the “diamond method”, developed by Michael Porter ⁹) on the competitiveness of small and informal construction contractors and identify support strategies that local governments might employ to increase their competitiveness. Disseminate methodology and findings.
5. Support initiatives which attempt to link promising community (or individual) income generating activities to external/export markets.

⁹ Michael Porter. The Competitive Advantage of Nations. Harvard.

6. Make council job plans that have succeeded a special focus of the best practices dissemination program and consider special workshops around this topic.

4.4 HIV/AIDS

The team was asked to comment on the ways in which local authorities are addressing the HIV/AIDS epidemic. We were also asked if there is a government strategy to incorporate shelter and urban service delivery into education and health care measures.

Among the local authorities visited, there is very little evidence of systematic or comprehensive measures being taken to address the epidemic. However, the impacts are clearly beginning to be felt at this level. These include direct workplace issues as well as issues of service delivery. To date, most Council responses remain centered on the workplace, health measures, and, more generally, participation in awareness campaigns. Durban and KZN are probably ahead of this curve, but even here it does not appear that actual planning has taken place that takes into account the impact of HIV/AIDS on housing and urban services delivery.

Nor is there a government strategy that incorporates sector delivery issues into education and health care measures. We understand that the Department of Public Service is working on a comprehensive study of the impact of the crisis on the public service, which will also include service delivery issues.

At the national level, the appearance of a recent article in the national press is possibly the first public indication of a major debate on the future of existing housing policy in the light of the epidemic.¹⁰ The impact of HIV/AIDS on educational planning was also highlighted recently in the press.

There are five initiatives or activities that we would like to highlight here. The first is the development of a local government tool kit and its dissemination to local governments in KZN, funded by USAID. The second, also funded by USAID, is an activity being undertaken by Project Hope in Soweto with local communities. The third is the proposal in Durban for orphans' housing that was highlighted at the HIV/AIDS conference in July 2000 in Durban. The fourth is the collaboration concerning housing for orphans being discussed in the Western Cape between the Departments of Housing and Welfare. The fifth is the AMICAALL (the African Mayors' Initiative for Community Action on AIDS at the Local Level). This is an initiative of the Alliance of Mayors and Municipal Leaders on HIV/AIDS in Africa that was launched in Durban on November 7th, by the South African Partnership Against HIV/AIDS, which includes SALGA, the Provincial Department of Health, SANAC (the South African National AIDS Council), and UNDP.

¹⁰ Tomlinson, Richard, "Time to Rethink Housing Policy," p. 47, Weekly Mail and Guardian, October 13-19, 2000

SO3 funded the development of a local government tool kit and training for councilors in KZN. Roughly 2/3 of the local authorities in KZN were reached. Training took place in late 1999 following a process that included working with the KZN Department of Health, the University of Durban, and KWANALOGO. Local Councils were asked to formally nominate participants who would then be leaders in HIV/AIDS in their respective Councils. A follow-up session with the participants was held in September of this year to evaluate the results. The results were positive, although progress varied within each Council. The tool kit does not include specific steps that a Council might take in planning responses on housing and urban services delivery, but Councils are encouraged to begin the process of assessing impacts and planning for the future.¹¹

SO3 has also funded a program in greater Soweto on community mobilization for HIV/AIDS response. This program, carried out under the auspices of Project Hope, involves building capacity at the local level to provide community responses to the epidemic. Workshops are held and community action plans are formulated making use of a well-established model of community planning. Local Councilors from the Southern Metropolitan Council and Western Metropolitan Council have been involved but there has been no formal participation by the Councils.

The third initiative is a proposal for a local level housing response to the problem of orphans that was highlighted at the Durban Conference on HIV/AIDS in July 2000. The proposal is from the Durban Children's Society, with help from BESG. It proposes the housing of orphans in ordinary houses in the local community, using subsidies allocated by the KZN Provincial Housing Board for the construction of the houses and with caregivers from the local community also living there. A pilot of two houses has been agreed by the PHB and preparations are underway to begin the activity. It will take place in Cato Manor, but the local council is not involved in any particular way.

The fourth initiative is in its earliest stages. We were advised that the Western Cape was the only Province that had started to provide AZT treatment for pregnant women who are HIV positive. In this connection, the Provincial Housing Department is interested in working out a program with the Provincial Welfare Department for housing for those impacted by HIV/AIDS. This might involve the Province providing some of their land and using the housing subsidy system to build living facilities of some kind and the Department of Welfare providing funds for operating expenses and "minders" for children who had lost their parents to AIDS. The initiative is only in the preliminary planning stage at this time and has not yet risen to the level of involving any local authorities.

The final initiative is a joint undertaking by the Alliance of Mayors and Municipal Leaders on HIV/AIDS in Africa, the KZN Department of Health, SANAC, SALGA, and UNDP, with the blessing of the Office of the President. The AMICAALL program will be launched in Durban on November 7th, 2000. Details have not yet been worked out but

¹¹ Telephone interview with Rose Smart, Consultant, 10/19/00

the program is intended to expand multisectoral action at the local level. The Alliance itself covers 17 African countries and over 70 municipalities.

HIV/AIDS is an issue that needs to be factored into almost every discussion concerning capacity building at the local level. It is a fact that needs to be addressed as employees are affected personally. It also has an impact on most local authority programs and it is having a wide spread impact on the communities that make up local authority areas. It is an issue that can also help to promote greater inclusiveness on the part of the Council, because the planning that has to be done and the solutions that need to be arrived at cannot succeed without major community input.

The team believes that the excellent work at the local level begun by SO3 should be continued in the future and the focus at the local level should be increased if possible. The following recommendations are made in order to ensure a greater focus in the future on housing and urban services delivery.

1. Provide support for expansion of use of the SO3 local government tool kit in two ways: from KZN to other provinces; and on a more focused sectoral issue basis highlighting steps to take on housing and urban services delivery issues. This support should be offered on a rapid response basis to local authorities that are interested in taking concrete measures in these areas.
2. Provide support for the promotion of a discussion on the implications of HIV/AIDS on national housing and urban services delivery policies.
3. Provide support to the Alliance for Mayors, AMICAALL program as a way to begin to involve political leadership in KZN and other provinces in the campaign against AIDS.
4. Provide capacity building support to interested local authorities around the IDP process, which is required to be re-done now with the newly demarcated local authorities. This support needs to be targeted specifically toward issues that lend themselves to requiring community participation – HIV/AIDS, crime, housing, and the environment. Consider using SIM-City and other techniques – and this community participation needs to be the backbone of any such exercise that USAID might support.

4.5 Inner cities

Our scope of work asked for the economic status of core or inner city areas in the metropolitan and secondary cities. We were asked to look at the policies and strategies that are being employed for preserving and/or regenerating the urban core and the kinds of technical assistance programs that could be provided to make the policies and strategies more effective.

The team visited Johannesburg, Cape Town and Durban as well as East London and other districts council towns - Queenstown, Pietermaritzburg, Brits, and Potgietersrus. The trends in these CBDs are similar in the sense that they all have flight from the inner cities of big businesses, and sometimes even medium businesses. In all of these areas, we saw empty buildings, deteriorating service levels, and no new construction. In Johannesburg the city is growing towards Midrand and Sandton areas - in other words, businesses are moving to these growth points and momentum has been created in this direction. Clearly, there is a racial component to this.

In spite of the underlying economic and social forces that have combined to push development out of the inner cities, there remain, in all the larger cities, areas that can and should be developed. There need to be approaches that recognize the basic shift to a less wealthy downtown, and seek to maintain the infrastructure that is there and to adapt to the changes. There is a genuine shift in the very nature of the old cities, but this does not mean that efforts should be abandoned.

The inner cities of all the cities visited contain the hub of businesses and major housing stock. However, the environment in which this housing is provided is, in many instances, poor and much of the housing stock is deteriorating. It is estimated that at least 20% require some form of upgrading. The inner cities have become known for high crimes and a large hawking community, which includes the influx of illegal immigrants. Very few new developments are taking place.

The positive, although still very limited, side of this is the cheaper rental space, which means that small and medium business can afford rental space. There is also, in the case of Johannesburg, a commitment shown by a number of government institutions and others not to move, e.g. the Reserve Bank, and Transnet. Efforts have been made by the government to combat crime (including having cameras installed). New markets have been built for hawkers. Efforts have been made to clean up some areas and to provide overnight accommodation for homeless and low-income people. In all the cities, the informal sector is growing very rapidly; creating employment that contribute to the economy, although it is not accounted for and not captured by statistics.

In all these cities, policies and strategies to promote revitalization are being formulated and implemented. There are institutions (e.g. the Johannesburg Housing Company) that have been set up that are attempting to help provide housing and that can spearhead the inner city revitalization. These organizations are introducing and exploring new tenure options (rent to buy, co-operatives, rentals).

The constraints that cut across all inner cities are - the availability of land and cost of abandoned buildings and upgrading them is too high. Secondly, councils are not willing to write off the services debts which in most cases is higher than the valuations of those buildings. Thirdly, the legal process of acquiring buildings has been cumbersome.

An inner city unit has been established by the Greater Johannesburg Metropolitan Council to address this challenge, and a range of programs and projects are being undertaken.

Below are some strategic interventions that have been adopted by the major metros:

- To make the inner city a destination. Develop facilities that promote inner city as a trading destination. Develop public transportation within and to and from the inner city
- Establishment of desirable residential environment through programs and incentives that develop the institutional capacity necessary for the provision of decent and affordable housing (new construction and upgrading). Programs also target provision of middle to upper income residential stock. Putting in place mechanisms to control and promote the maintenance and proper management of residential stock.
- To enhance the quality of life. This is done through improving provision of services such as public facilities. Education or awareness programs are also conducted to ensure good citizenship and rule of law is observed. Communication strategies have been designed to disseminate information to visitors, residents, and businesses.
- Adopting holistic approach by integrating housing to local economic development with a special focus on creating sustainable jobs and eradication of poverty. Also, transport services are being looked at to link inner cities to areas in the periphery including airports.

Capacity Building Measures

- Continue to support innovative initiatives that would enable the organizations involved in inner city development to continue their work, e.g. financing feasibility studies on building acquisition, helping to address legal issues, and other measures that would be inexpensive but would have significant strategic payoffs.
- Link South African large cities with appropriate cities in the U.S. and support well-thought-through study tours and exchanges.

4.6 Local Authorities and Community Inclusiveness

The SOW asked whether non-governmental entities, i.e. common citizens, NGOs, and private institutions and businesses, are engaged by cities in local government planning and implementation processes and if so, how. The Scope also asked what kinds of technical assistance could be provided to more effectively bring these entities into the housing and urban service delivery planning and implementation processes.

The team's sense is that this is quite a complicated issue. One of the reasons for this is that it is set squarely within an evolving local governance framework. First, the tradition of community involvement in decision-making in a democratic setting is still young in South Africa. It might be said to have born in the freedom struggle and the civics movement. But that struggle has achieved independence and many of the people who were involved in the civics and in NGOs at the community level have now moved on and are in other organizations, in the councils themselves, in private sector, or in the central and provincial governments. Government and local government have now taken their rightful places in the spectrum of representative institutions. A learning process is unfolding that will eventually lead to a South African style of accommodation for and encouragement of community participation.

The team found a quite varied picture of community involvement. It really does depend on the city and the particular circumstances. In general, the team believes that the NGO movement has lost some of its vigor from earlier days. Funding is down, we believe. It is difficult for NGOs to attract and keep dedicated and experienced staff.

With regard to private institutions and businesses, our sense was also that there is not a great deal of sustained participation. But, again, this must be said to vary with the particular city.

The integrated development planning process that has been undertaken in local authorities was an occasion for structured involvement of the business and NGO communities. We found that this was pursued in a serious and systematic fashion. But our discussions indicated that in most places, the NGO community has weakened and that the same kind of participation is now more difficult to attain. In many places, as well, local government councilors are beginning to pursue their own roles more seriously and to play a larger part in community deliberations. This is an important development, and a natural one in a growing democracy.

In summary, there is community involvement and it is an accepted part of the young democratic movement. It can and should be strengthened and should become a much more systematic occurrence. We believe that community development organizations have a role as both development vehicles and to promote community participation in the new democratic processes.

Our notes from visits to several towns may be helpful in this regard:

In East London, we learned that the municipality has been working with NGOs and the private sector within its boundaries and is quite positive about their roles. The municipality wants to strengthen its own community development department in order to be able to better communicate with the various communities, NGOs, and the private sector. The municipality also sees this as a way to better resolve its cost recovery issues in the community.

In Drakensburg District Council, we found a very weak NGO sector because of the drying up of funding.

In Stormberg District Council, very few NGOs have been a part of the social compacts in the housing projects in the town. Here also, the Council is looking to strengthen its community services department and to form partnerships with NGOs. One of the reasons it would like to see this is because it would like NGOs and CBOs to become water service providers in community areas.

With regard to the question concerning the appropriate kinds of technical assistance in these kinds of situations to encourage greater community participation, the team believes that it would be most appropriate to organize assistance around issues that require community participation if there are to be satisfactory outcomes. In general, the assistance should be provided to those Councils that recognize that they need community input to come to proper resolutions of their issues. The issues concerned should be those that are most important now in the various communities. HIV/AIDS, crime, housing, and job creation are examples of services that are generally considered to be burning issues. They are the issues that can serve as wedges behind which the notions of greater community involvement can be firmly embedded in Council procedures. Because the IDP process is now going to be re-done, there is ample opportunity to prepare a program of technical assistance that would respond to those councils that are interested in establishing a dialogue with their communities. The team also believes that any such assistance needs to be accompanied by small incentive grants for the Councils to be able to carry out small community development projects.

4.7 The Impact of the Demarcation Exercise

The brief requested comment on the extent to which local authorities are prepared for the new responsibilities arising from the new demarcation and on what the most pressing housing and urban services issues are in this regard. We were also asked whether there was a plan to address these issues.

Based on the interviews with local authorities and on the assessments contained in two recent assessments of local government capacity¹² we have reached the conclusion that with the exception of the metros, local authorities are generally poorly prepared for the new challenges that the new demarcation implies. In a number of instances in our interviews quite senior local government officials showed only a vague understanding of what their new boundaries would be and what the implications for housing and service delivery were. Moreover it was only in the three metros that we visited that significant and sophisticated preparations for transition were evident (via the “unicity” committees).

It was only in a minority of instances that we were presented with well-researched assessments of demarcation implications (e.g. Durban¹³). Even though many local

¹² World Bank report and EU report

¹³ Durban Unicity Committee, 2000. Financial implications of Unicity of Durban's Proposed Boundary. Support Document 5. Durban

authorities had made submissions to the Demarcation Board on the proposed new boundaries, we saw little evidence that these contained rigorous assessments of housing and urban service implications. Adding to the confusion and general lack of preparedness is the fact that the powers and functions of Category C local authorities (district councils) vis-à-vis Category B local authorities have yet to be finalized.

While our research in this regard was far from rigorous, we certainly formed the view that the housing and urban services implications of the newly demarcated areas were quite uneven across different locales and authority types. In Durban for example the implications seem quite manageable whereas in Pietermaritzburg the incorporation of sprawling and huge informal settlements on largely tribal land clearly poses huge challenges given that the resources in the existing Pietermaritzburg TLC are extremely stretched already. In short, some of the newly demarcated local authorities are going to be in more trouble than others.

It should also be noted that there is a view that the new demarcations themselves are a major contribution to helping local government in South Africa deal with developmental challenges. The Municipal Demarcation Board, for example, assessed the institutional capacity of existing local authorities and concluded that 482 such municipalities rank as having poor or inadequate institutional capacity.¹⁴ Through the rationalization of the newly proposed category B municipal boundaries, only 19 are considered to have the same level of inadequacy.

The fundamental weakness of some areas, however, will not be solved by demarcation alone. The existing Kei District Council for example has nine TLCs and nine TRCs and presides over 1 million people. As far as service delivery is concerned however the District Council has virtually no capacity. The Director of Engineering is a consultant who works two days a week for the council. Besides him, there is only one engineering technician to deal with all projects. Moreover, the Council has no planning and project facilitation staff.¹⁵

This is in contrast with the existing Western District Council, also in the Eastern Cape, which has an engineering staff complement of 520, of which 15 are professionals. The key point to note, however, is that in district councils like the Kei, demarcation per se will not address the fundamental capacity calamity that currently exists and that there is a danger that pre-occupation with demarcation issues will deflect attention away from more fundamental development issues.

With respect to the key housing and urban services issues that we see arising from the new demarcations, the following comments seem pertinent. One implication of the consolidation of local authority areas and the reduction of the number of such local authorities (at the same time as pursuing wall-to-wall local government) is that some

¹⁴ Municipal Demarcation Board. 21 Feb.2000. The Capacity of District or Local Municipalities to Perform Municipal Functions and Powers. Hatfield, Pretoria.

¹⁵ Afesis-Corplan 1999, Powers and Functions of District Councils in relation to Primary local Authorities. Report funded by Austrian Development Corporation. East London.

areas will receive more services than was the case in the past while others will have to spread their resources more widely. In the absence of additional transfers from other levels of local government, it is apparent that service standards and levels in the richer areas will have to be reviewed downwards unless of course locally generated revenues can be substantially increased.

This reality will bring the highly politicized issue of differentiated service levels squarely into focus. The political expectation in many jurisdictions that still have sizeable white communities is that the service standards and levels previously enjoyed by whites should be extended to all. Thus, in many of the larger towns and cities, attempts to differentiate service delivery in relation to affordability have been met with a great deal of political skepticism. With the new demarcations, however, it will not be possible or desirable to avoid the debate on differential service standards in many localities (and particularly in the metropolitan areas).

While in many local authority areas the provision of differential services had been “practice” rather than “policy” for a number of years it was our impression that few local authorities had thought coherently about how to address the issue systematically.

Ought, for example, a single minimum service level be applied across the entire newly demarcated jurisdiction with higher-level options being available to those who were willing to pay more? Or should highly differentiated service delivery responsive to need and affordability be the norm? It was our view that there was a real need for technical assistance in this area to help local authorities deal with a very tricky set of problems.

A further implication of the new demarcations is that they are likely to bring off-budget financing and demand-responsive approaches to service delivery to the center-stage. Since jurisdictions will generally increase in extent and since resources will not increase proportionately, improved efficiency and partnerships may be the only way to sustain a reasonable level of service delivery.

This implies, of course, that the new councils will have to develop the capacity to work effectively with community and private sector partners and that the services of the MIIU are likely to be in substantial demand. It also implies that local authorities will have to substantially improve revenue collection processes as well as promote economic development within their jurisdictions.

It should be noted also that with demarcation of new local authority boundaries a new round of IDP formulation will be required. While there is reason for some skepticism about the efficacy of IDPs as development tools (particularly in the weaker authorities), the fact that such plans need to be drawn up (in line with statutory requirements) does present some opportunities.

To begin with there is interesting work currently being undertaken in IDP formulation for the new uni-cities, especially in Durban and Johannesburg. Here it has

been recognized that an outcomes-based approach (as opposed to an inputs-based approach) to planning, service delivery and financial management is quite crucial in the context of the new demarcations. In short it has been recognized that a “business-as-usual” approach cannot work and that a new set of desired outcome have to be clearly defined and must form the basis of all planning and operational activities. Since USAID already substantially supports the Durban IDP process financially it follows that the documentation and dissemination of the “outcomes-based approach” to other newly demarcated areas may make a great deal of sense.

It is also apparent that the need to formulate a new round of IDPs offers a good opportunity to help ensure that certain key issues such as HIV/AIDS and climate change are on the agenda of local councils. This point has however been made more fully elsewhere.

Finally, it should be noted that the new demarcations will bring together a widely disparate set of realities. The cohering of these realities may present substantial challenges especially given that indications are that powers and functions will increasingly be centralized with the district councils. Creative ways of ensuring that local needs are understood and responded to will need to be found. In this regard an area-based approach to development and service integration may have some promise.

Recommendations arising from our review of the implications of the new demarcations for service delivery can be summarized as follows:

1. Identify two or three local authorities of different types that are quite far advanced in their post-demarcation IDP planning and provide technical assistance with regard to the formulation of options for differentiating service delivery. Disseminate the findings widely.
2. Identify and support demand-responsive approaches to service delivery. Document the implementation of such pilots and disseminate findings widely.
3. Extend the capacity of the MIIU. The demand for their services is likely to increase dramatically.
4. Document and assess the “outcomes-based approach” to planning and service provision currently being pursued by Durban and Johannesburg. Disseminate useful learning widely.
5. Provide technical assistance to the new IDP processes of local authorities particularly with respect to HIV/AIDS and climate change.
6. Fund the program management costs of an area-based planning and development initiative in a district council with widely disparate realities and development challenges. Document and disseminate learning.
7. Support and contribute to the formulation of a coordinated donor effort in helping improve the preparedness and capacity of newly demarcated councils to cope with their new challenges.

5 Technical Assistance and Capacity Building

Throughout this report, reference has been made to the enormity of the challenges facing the newly demarcated councils in the post-demarcation era. Is there a plan to respond to these challenges? And does such a plan address the housing and urban services components of the challenge?

On researching the above questions we have formed the view that some of the elements of a plan are beginning to fall into place (or are already in place) but much remains to be done. Furthermore, we believe that housing and urban service delivery components of the emerging plan are poorly developed. Much of the emphasis appears to be on governance and financial issues. This is not inappropriate, but we believe that when looked at from the specificity of a housing and urban services point of view, the overall direction of a capacity building plan may look rather different.

A recent report prepared for the World Bank provides a useful starting point for thinking about a systematic and strategic capacity building program.¹⁶ Drawing on work done by the Municipal Demarcation Board, they estimate that 30 of the 46 new district councils will require assistance. The corresponding estimate for municipal councils is 140 out of 232.

Usefully the report provides a framework for thinking about technical assistance and capacity building support. A distinction is made between “supply-side” support and “demand-driven” support. The supply-side support starts from the assumption that many of the smaller local authorities need top-down assistance just to get the most basic of their financial and governance functions in order. The demand-driven support approach recognizes that whereas many of the bigger authorities and the metros may have mastered the basics, they need assistance in specific areas.

Topham et al suggest therefore that a coordinated plan for capacity building should take the form of direct technical assistance on the supply side (the placement of support people with each of the 30 district councils needing support) and the establishment of a fund to which all donors would contribute for demand-driven technical assistance. It should be noted that the district councils are considered the most important point of entry for supply-side support.

The Topham report goes on to stress the need for a single and highly targeted capacity-building strategy and for donor co-ordination in this regard.

While we concur with much of what Topham et al are proposing, we do have some reservations. While the identification of district councils as entry points makes some sense, we do worry that such an approach will exclude needed support to some bigger Category B authorities that are going to face huge challenges in getting the basics right. Given that district councils have in the past and will in the future have a strong

¹⁶ Topham S. et al., 2000. Assessing Municipal Capacity Problems. World Bank.

service delivery orientation, we do however feel that from a housing and urban services perspective the focus here is appropriate. The solution proposed of supplying 30 support people in the targeted district councils also requires much more thought as to its real effectiveness.

A more fundamental concern however is that the capacity building plan seems to underestimate the enormous capacity building challenges facing the metros and the secondary cities such as Pietrmaritzburg and Bloemfontein. From a specifically housing and urban services point of view we have expressed the view elsewhere in this report that there may have been over-production of housing in many smaller and medium-sized towns and under-provision in the metros and secondary cities. We also noted further that many of the metros have not geared themselves for housing delivery and have poorly developed capacities when it comes to playing the facilitation role they are defining for themselves. Furthermore, the metros and bigger towns are crucial to the economic and political future of the country and service delivery failure here will have severe consequences.

In talking to the metros and assessing their capacity, we are not convinced that a more passive demand-driven approach to capacity building is entirely appropriate. At least in the fields of housing and urban services (and related areas of climate change and HIV/AIDS), we feel a more aggressive approach is required and this needs to be built into a government plan.

As far as government itself is concerned, there was considerable awareness in our discussions with DPLG and the Department of Finance of the need for a capacity building plan and for the co-ordination of donor inputs. The Department of Finance already provides support to local government in the form of Project Viability (which monitors the financial state of local authorities and warns provinces if intervention is required). The Management Support Program also provides technical support to restore financial viability to ailing local authorities. There is also a local government support grant. This is transferred to Provinces in order for them to support local authorities (although in future it appears that this program is going to be substantially beefed up and driven from the center according to clear criteria and formulas).¹⁷ A new program is also being devised in terms of which direct grants will be made to local authorities to help cover the costs associated with transformation required by the demarcation process.

The Local Government Transformation Program appears to be pinning its capacity building initiative on the idea of establishing Planning, Implementation, Management and Support Centers (the so-called PIMS), for which they seem to be seeking coordinated donor support. These centers would apparently be established at district council level and would be driven by “boards” which would be headed by the Chair of the District Council, but would incorporate private sector representation. In our view, this proposal may have merit but needs to be developed further.

¹⁷ Department of Finance, 2000. Policy framework for Municipal Borrowing and Financial Emergencies. Pretoria

It should be noted that in the housing field we found little evidence of systematic support to local authorities and certainly no plan for future capacity building. At present, the provinces provide limited technical support to local government and there is a nationally funded—but provincially driven---training program (in terms of which provinces assess needs, design programs, get a business plan and funding approved, and then commission a service provider). On the evidence available, it is our view that these training programs are for the most part rather weak and need external support in terms of monitoring the quality and content of the training programs. As far as urban services are concerned, there are national training and support funds in place to support an understanding of IDPs, local economic development (LED), and Municipal Service Partnerships. Given the scale of the challenges facing local authorities, we are of the view that these programs need to be strengthened.

In light of the above, we make the following recommendations concerning capacity building and technical assistance.

1. Continue to support worthwhile housing and urban services delivery initiatives and pilots, especially those that have links with local government. This is in recognition of the success of this approach in and of itself, and in relation to capacity building. It is also in recognition of the very fluid situation surrounding capacity building measures being planned and taken by the government, as well as in recognition of the diversity of the South African housing and urban services delivery processes. In all initiatives, ensure that there is a local government dimension in the model. Strive to eliminate the stove piping that occurs naturally as separate contracts are established for the various programs, e.g. for MIIU, Housing Finance, and other activities. These need to be integrated at various levels to ensure that there is maximum synergy and collaboration. Changes in the incentive systems for each of the different activities may be appropriate to encourage this collaboration. Also, there will be need for a conscious effort to include capacity building elements in all projects.

2. Continue to fund debates on important policy issues. These include the impact of HIV/AIDS on the sector. They might also include a closer look at the IDP process and whether it is producing the desired results. A third potential subject is the need to establish a clear vision of the role of local authorities in housing and urban services delivery in the complex institutional structure that has been established and to have political support for this vision. A fourth might be the issue of differentiating levels of urban services that will now come to the fore because of demarcation. A fifth might be institutional restructuring issues pertaining to service delivery (PPPs, outsourcing, utilities, corporatisation, privatization etc.). This issue is particularly important at this juncture because of the ideological debate going on. Other capacity building measures might also be appropriate as issues arise and are considered, including study tours and exchange programs. As it has so often in the past in South Africa, USAID should be in the vanguard in supporting debate on issues in order that the programs that are being developed respond to tomorrow's issues rather than yesterday's problems.

3. Initiate a major dissemination program of best practices that would involve linking local authorities. The program should be planned and undertaken from the beginning with an institution that is capable of and has the self-interest to continue it after USAID funding is ended. The team's view is that it is important to target top decision makers and officials and to include persons perceived to be influential. At the very local level, sub-regional workshops, visits by councils to other councils, dissemination of one page best practices summaries, and other learning techniques should be tried after determining the methods that would work best in the South African context. As has been done in other countries, a study to establish the most effective means to ensure learning at the local council level should be undertaken. This program could emphasize areas of particular interest to USAID, e.g. climate change, other environmental issues, community participation, and HIV/AIDS. The SO1 LGSP and SO6 housing and local government related activities would be rich sources of best practices for this program.

4. Encourage and participate in a dialogue with other donors and with the government and SALGA on the preparation a long range, integrated program of local government capacity building with respect to housing and urban services delivery. Be prepared to contribute to this process with technical assistance. Elements of such a program should incorporate substantive recommendations being made in other parts of this section.

5. Examine closely and support various private sector and non-central government alternative vehicles for technical assistance and capacity building related to housing and urban services delivery. These include, broadly, professional associations, local government associations, and consultant bodies. Examples of potential partners are the Institution of Civil Engineering, the Housing Institute, the Institute of Municipal Financial Officers, and SALGA. Be aware of limitations and liabilities that each of these organizations has.¹⁸ Support could come in the form of encouraging the associations to have their members become more involved with local authority housing and urban services issues and to provide training. It might also include strengthening these institutions. To the extent that it is reasonable to do so, work with the SETA (Sector Education and Training Authority) for local government to ensure that the private sector has a significant role in training programs. One possible role for private sector associations might be to assist in quality control of training being offered. In connection with the ideas advanced in paragraph 1 and 3 above on stove-piping and dissemination, consider initiating a program that would incorporate the various existing USAID programs such as MIIU and Housing Finance with a rapid response program that would respond to local authority requests for assistance making use of a certified group of local consultants as well as best practices information. Consider attaching a small amount of funding for activities so that the response would not be just TA.

6. Provide support for the special needs of larger cities and metros connected to their problems of housing and urban services delivery. This might come under the

¹⁸ In our meetings with SALGA, for example, we came away with the impression that they were not particularly anxious to undertake activities with USAID. We did not meet with SETA and are therefore unable to comment in greater detail.

auspices of SALGA, provided all parties see a benefit to this, or perhaps a special larger cities forum in which the unicities take the lead. It could include linking up with cities and associations in the U.S. (that do have something to offer here) to look at special issues, such as economic development of depressed inner cities, HIV/AIDS, crime, and others. Larger cities are likely to have more sophisticated management needs than smaller centers. For example, some of the issues that might arise might come from the procurement and housing subsidy accreditation plans now being planned. It might in fact be appropriate to give a cities alliance initiative impetus by focusing in the first instance on building a cooperative around a single issue----and HIV/AIDS may well be the appropriate choice here. SO6 should give serious consideration to funding such an initiative.

Other assistance might include:

- Provide support to the bigger local authorities in giving real content to the facilitator role in housing delivery that they envisage playing. Officials will need skills in procurement, partnership and joint venture packaging, contract formulation, risk-management, compliance monitoring etc.
- Develop a program to raise the risk management capacities of smaller and medium-sized local authorities and to increase their awareness of the financial vulnerability that injudicious housing and urban service delivery can bring.
- Choose a local authority (e.g. Durban) that is well advanced in its negotiations on accreditation with provincial authorities and which has a good chance of actually being accredited. Provide support, document the process and disseminate the learning widely.
- Fund the program management costs of an area-based planning and development initiative which builds on the lessons of other successful area-based initiatives but which specifically examines the applicability and replicability of the approach as a key tool to be used by local authorities in achieving integrated development.
- Continue to support innovative initiatives that would enable the organizations involved in inner city development to continue their work, e.g. financing feasibility studies on building acquisition, helping to address legal issues, and other measures that would be inexpensive but would have significant strategic payoffs.
- Link South African large cities with appropriate cities in the U.S. and support well-thought-through study tours and exchanges.

7. Provide support for addressing issues that have significant impact on the delivery of housing and urban services. These include HIV/AIDS and community participation in local government. Examples might include:

- Support for expansion of use of the SO3 local government tool kit in two ways: from KZN to other provinces; and on a more focused sectoral issue basis highlighting steps to

take on housing and urban services delivery issues. This support should be offered on a rapid response basis to local authorities that are interested in taking concrete measures in these areas.

- Support for the promotion of a discussion on the implications of HIV/AIDS on national housing and urban services delivery policies.

- Support to the Alliance for Mayors, AMICAALL program as a way to begin to involve political leadership in KZN and other provinces in the campaign against AIDS.

- Capacity building support to interested local authorities around the IDP process, which is required to be re-done now with the newly demarcated local authorities. This support needs to be targeted specifically toward issues that lend themselves to requiring community participation – HIV/AIDS, crime, housing, and the environment. Consider using SIM-City and other techniques – and this community participation needs to be the backbone of any such exercise that USAID might support.

- With regard to the question concerning the appropriate kinds of technical assistance in these kinds of situations to encourage greater community participation, the team believes that it would be most appropriate to organize assistance around issues that require community participation if there are to be satisfactory outcomes. The issues concerned should be those that are most important now in the various communities. HIV/AIDS, crime, housing, and job creation are examples of services that are generally considered to be burning issues. They are the issues that can serve as wedges behind which the notions of greater community involvement can be firmly embedded in Council procedures.

- Because the IDP process is now going to be re-done, there is an opportunity to prepare a program of technical assistance that would respond to those councils that are interested in establishing a dialogue with their communities. The team also believes that any such assistance needs to be accompanied by small incentive grants for the Councils to be able to carry out small community development projects.

8. Support increased job creation through housing and urban services delivery measures such as:

- Select a few local authorities and provide them with assistance on procurement processes that target the required use of labor-intensive technologies and the packaging of contracts into smaller entities, which small contractors can bid for. Consider whether the MIIU might be the appropriate institution to provide this support. Document and disseminate findings.

- Work with a local authority and labor unions to establish a “town construction labor pool” to which people with some experience in construction could belong and which contractors working on public-funded projects would be required to use. Consider mentoring strategies in connection with this. Document and disseminate findings.

-- Place particular emphasis on supporting initiatives which contribute to a shift towards a more demand-responsive approach to service delivery . Document and disseminate findings.

-- Support initiatives which link promising individual or community enterprises to external markets. Demand constraints are at present the biggest constraints on growing enterprises.

-- Conduct a study (perhaps using the “diamond method”, developed by Michael Porter ¹⁹) on the competitiveness of small and informal construction contractors and identify support strategies that local governments might employ to increase their competitiveness. Disseminate methodology and findings.

-- Make council job plans that have succeeded a special focus of the best practices dissemination program and consider special workshops around this topic.

9. Focus attention on environmental and climate change issues through the following:

-- Liaise with the metros and large local authorities on the formulation of plans to improve the resourcing of their environmental capacity (as part of their new IDP exercises). Offer to fund short-term or “interim” capacity support on the proviso that resourcing plans referred to above will be drawn up and implemented.

-- Fund a pilot project with a metro that focuses on the mainstreaming of environmental capacity within line functions. Link this to the institutional response of the Council to its IDP. Document and disseminate findings widely.

-- Implement measures to improve awareness of climate change issues and their incorporation into IDPs and subsequent practices. Ensure that the climate-change defense of compact city development receives a fair hearing. Work closely with the ICLEI program to disseminate progress being made.

-- Focus climate change initiative on shifting local authority housing delivery initiatives in the direction of “in situ” upgrading rather than “greenfields” projects. Ensure that the “greenfields” projects that are necessary are well located.

-- Support awareness workshops for provincial and local government officials and councilors, to ensure co-operative governance and “common vision”/consistency in decision-making, in view of the fact that provincial government currently administer legislation which has implications for GCC (e.g. Environmental Impact Assessment (EIA) regulations).

-- Identify other environmental interest groups (e.g. Industry, NGOs) and encourage them to work closely with local government on capacity building issues.

¹⁹ Michael Porter. The Competitive Advantage of Nations. Harvard.

10. Capitalize on the processes that will need to be put in place at the local government level under the new geographical structure and the documents that will need to be prepared or re-done because of the changed boundaries and responsibilities. Many of these initiatives would also be appropriately placed under the sections above. These could include:

-- Capacity building support to interested local authorities around the IDP process, which is required to be re-done now with the newly demarcated local authorities. This support needs to be targeted specifically toward issues that lend themselves to requiring community participation – HIV/AIDS, crime, housing, and the environment. Consider using SIM-City and other techniques – and this community participation needs to be the backbone of any exercise that USAID might support. Support the new round of IDP formulation by identifying and disseminating the key success factors in successful IDPs and area-based integration initiatives.

-- Identify two or three local authorities of different types that are quite far advanced in their post-demarcation IDP planning and provide technical assistance with regard to the formulation of options for differentiating service delivery. Disseminate the findings widely.

-- Identify and support demand-responsive approaches to service delivery. Document the implementation of such pilots and disseminate findings widely.

-- Extend the capacity of the MIIU. The demand for their services is likely to increase dramatically.

-- Document and assess the “outcomes-based approach” to planning and service provision currently being pursued by Durban and Johannesburg. Disseminate useful learning widely.

-- Provide technical assistance to the new IDP processes of local authorities particularly with respect to HIV/AIDS and climate change.

-- Fund the program management costs of an area-based planning and development initiative in a district council with widely disparate realities and development challenges. Document and disseminate learning.

-- Support and contribute to the formulation of a coordinated donor effort in helping improve the preparedness and capacity of newly demarcated councils to cope with their new challenges.

USAID/South Africa

ASSESSMENT OF NEED

FOR A CAPACITY-BUILDING & TECHNICAL ASSISTANCE

PROGRAM FOR LOCAL AUTHORITIES TO IMPROVE THE DELIVERY

OF HOUSING & URBAN SERVICES

TERMS OF REFERENCE

I. BACKGROUND:

Over the past five years, the Republic of South Africa (RSA) has made strides in addressing historical disparities in housing and urban services. Close to 1 million units of housing have been built, and thousands of households serviced with water, power, roads, and solid waste removal and sanitation systems. But there is still great need: an estimated 8 million people, about 20% of the population, live in shacks in squatter settlements without basic services; the housing deficit is estimated at 2.5 to 3.5 million units; and water-service need is not anticipated to be met in less than 10 years.

The national government had the lead in setting policy and providing funding for new investments and programs. Local government, however, has and will continue to increase its responsibility in ensuring adequate service delivery for its residents. Legislation enacted in 1997 transferred substantial authority to local authorities. In November, 2000, local government elections will take place to form the new local authority councils that will govern what is meant to be the permanent configuration of municipal government. All such local authorities will face difficulties in coping with their new territories and governance structures. At the same time, these new responsibilities of local authorities come with little increase in financial or human resources. And, along with the existing backlog of needed housing and services, local authorities will increasingly be expected to address, in addition to housing and urban services, job creation and economic development, HIV/Aids, and environmental sustainability.

The nature and magnitude of issues confronting local authorities varies tremendously, as does their capacity to address these issues and become effective municipal managers. Some municipal managers have been actively engaged in planning for their new tasks and structure; others have not. The largest cities generally have the greatest human resource capacity but they also face some of the most difficult challenges. For instance, the cores of all major metropolitan areas are undergoing disinvestment and decline, with a potential loss of not only their but South Africa's major economic growth engines. Housing and services are deteriorating, in some places posing a potential loss of units in higher density buildings. Migrants from impoverished rural areas are

flooding into most urban centers, squatting on vacant land, and increasing the demand for services and permanent housing.

The Housing and Urban Environment Team (SO6) of USAID/South Africa has been engaged in the delivery of housing and urban services for over 8 years. During the past five years, its focus has been primarily policy development within responsible ministries and on financial institutions and systems to provide resources for housing and infrastructure services. Grants to NGOs have supported pioneering activities in housing development; and there have been implemented several city-specific activities related to service and administrative restructuring, economic development, and urban environmental management. USAID/SA support through technical assistance and investment-fund guarantees is assisting several financial institutions that have become direct participants in policy-making as well as program implementation. The USAID/SA Democracy & Governance Team is implementing policy and local capacity-building projects. In the latter, they are assisting over 20 local authorities in financial management, integrated development planning, and revenue generation and collection.

The USAID/SA Housing and Urban Environment Team office recognizes that the local level of government is the major player in successful delivery of housing and urban services. Not only is the local or municipal level the key to delivery of quantity of services, but it is, for all intents and purposes, the only management level that can adequately address the qualitative issues related to urban development. It is only at that level that environmental sustainability can be achieved through better planning, and that the quality of community life can be improved through the integration of housing, infrastructure, and social services. It is also at the local level that key priorities of the RSA, i.e. job creation and addressing HIV/Aids, can be incorporated into general urban management and service delivery, and where USAID/SA's mandate of climate change can be directed. It is also where the status of those historically disadvantaged by race and/or gender can be assessed and improved, at least through provision of needed urban services.

USAID/SA seeks to understand the needs and capacity of the local level to undertake the challenge of delivery of housing and related urban services in this context. It is a time of transition for local government but it is also an opportune time to look towards local authorities as the key to increasing access to shelter and the delivery of environmentally-sound municipal services for historically-disadvantaged households. This assessment will focus not on macro level infrastructure needs and investment, but rather on the delivery of housing and services as viewed from the perspective of the residential user. Its purpose is to advise USAID and its RSA partners on need and feasibility of capacity building programs targeted to the local authority level of governance.

OBJECTIVE(S)

To formulate and articulate the basis for USAID/SA and its RSA partners to make informed decisions regarding:

- a) the need, practicality, and feasibility of developing a capacity-building technical assistance (TA) program to assist urban local government authorities increase access to housing and its related environmentally-sound services for historically-disadvantaged households; and
- b) the feasibility and possibility of expanding and strengthening USAID/SA programming and delivery of technical assistance currently implemented at the city-specific level to a broader scope and larger scale, i.e. a technical assistance program at the national level.

OVERARCHING TASKS & DESCRIPTION OF RESEARCH PARAMETERS

The consultant(s) will:

- 1.0 Assess the local level of government with an aim to identifying weaknesses that would benefit from a capacity-building TA and/or training program designed to increase access to shelter and related urban services by historically-disadvantaged households through addressing, i.e. presenting findings and recommendations, concerning the following core issues:
 - the capacity of local authorities to effectively meet the shelter and urban-service needs of their constituencies, including identification of any gender and/or racial bias;
 - the specific needs of local authorities in terms of building the aforementioned capacity; and
 - the role a USAID/SA-supported technical assistance capacity-building program could play in building such capacity.
- 1.1
 - a) for the purposes of this task, the term “housing” as used herein includes all types of shelter, including that constructed through self-help mechanisms. Urban services are defined as: solid waste, water, and waste water removal, sewage, power, roads, and power for heating water and housing and cooking. Green space and community centers and services may be included as relevant to the subject.
 - b) the assessment is to consider the impact on the historically disadvantaged, distinguished by race and gender.
 - c) is to both new infrastructure investment and management of existing services should be analysed; and the consultants should investigate service delivery from the residential-user perspective and not from the infrastructure development and/or investment perspective.

d) the consultants may wish to address other significant questions identified in the course of performing the assignment.

e) in addressing the questions below and others that may arise, the consultant(s) will distinguish between small, medium, and large urban local authorities, and will take into account provincial or other geographic differences.

f) there is a great deal of information already available on the areas outlined below. The focus of the work should not, therefore, be on redefining problems but on identifying the needs of urban local authorities and determining the feasibility of USAID/SA addressing those needs through a technical assistance and/or training capacity-building program.

2.0 Perform research and present findings and recommendations on, at minimum, the following:

2.1 The effective role of local authorities in the provision and delivery of shelter and urban services, i.e.:

- what role do urban local authorities envision themselves playing in addressing shelter and urban-service needs?
- is that role as envisioned by urban local authorities appropriate to their strategic plan or stated objectives?
- are the decisions taken regarding provision of shelter and key urban services actually linked, i.e. is the integrated-development process or plan used as a real planning tool?
- what form of technical assistance is required by urban local authorities to more efficiently deliver housing and related urban services?

2.2 The long-term financial and environmental viability of housing and urban service delivery:

- are local authorities taking into consideration in their planning and decision-making process the long-term financial and environmental viability of housing and urban-service delivery, i.e. is the full cost of location, utility usage, transportation costs, etc. calculated into the price of the housing/services and into the local authority's recurring budget?
- are decisions regarding housing and service citing appropriate in terms of service-delivery costs and environmental preservation?

Note: concerning the above, the consultant(s) should analyze: land-use patterns viz. their affect on the environment, the long-term cost of inhabitation, including transportation and energy costs, and green and open-space requirements; and they should take into account in their assessment climate-change indicators.

2.3 Job-creation and income-generating activities for residents:

- does the current delivery of housing and related urban services maximize the potential for job creation and income-generating activities for residents? If not, what could be done to maximize this?
- in what ways are urban local authorities engaging the private sector in decision-making and implementation of housing and urban-service delivery programs? Are more linkages appropriate and how could they be structured and encouraged?

2.4 The HIV/Aids epidemic viz. urban local authorities:

- in what ways are local authorities addressing the HIV/Aids epidemic?
- do urban local authorities have a strategy that incorporates shelter and urban service-delivery with education and health care? And if not, what types of technical assistance could be made available to them to better respond to the HIV/Aids epidemic viz. the delivery of housing and urban services?

2.5 Description of the inner or core city:

- what is the economic status of core or inner-city areas in metropolitan and secondary cities?
- what types of policies and strategies are being employed for preserving and/or regenerating the urban core.
- what kinds of technical assistance could be provided to make the aforementioned policies and strategies more effective?

2.6 Inclusiveness of housing and urban-service delivery and integrated development process planning and implementation by local authorities:

- are non-governmental entities, i.e. common citizens, NGOs, and private institutions and businesses, engaged by cities into the planning and implementation processes; how so? and
- what kinds of technical assistance could be provided to more effectively bring the aforementioned non-governmental entities into housing and

urban service delivery planning and implementation processes?

2.7 Preparation of local authorities for the new demarcation of urban local authorities:

- to what degree are urban local authorities prepared for the structure and responsibilities arising from the new demarcation;
- what are the most pressing issues identified related to housing and urban services?
- is there a plan (and capacity) to address these priorities?

SPECIFIC TASKS & DESCRIPTION OF DELIVERABLES

The consultant(s) will:

1.0 Review USAID/SA relevant activities and materials:

- review USAID/SA project, program, and activity objectives for local government, housing and urban environment, global climate change, and HIV/Aids. This should include historic and current programs, and to the extent possible, an assessment of lessons learned useful for this task;
- review USAID/SA activities in the aforementioned areas, including those currently being undertaken and those being contemplated; and
- review relevant USAID/SA documents concerning the above.

2.0 Review RSA relevant activities and materials:

- review RSA legislation and policy on the role and authority of urban local authorities in the housing and urban-services sector, including the proposed systems and financial management bills;
- review RSA legislation and policy on capacity-building for local authorities; and
- review RSA policy and action on global climate change.

3.0 Review critiques and assessments of relevant RSA policy and implementation in the housing and urban-services sector.

4.0 Review the activities of other donors in the local government and housing and urban-services sectors, particularly the European Union, DFID, World Bank, Scandinavian bi-laterals, Germans, and UN.

5.0 Prepare a strategy and work-plan for conducting the needs assessment to include: a) a representative sample of small, medium, and large urban local authorities from a variety

of provinces; b) an outline of proposed discussions with relevant national and provincial government departments, NGOs, and other providers of TA; c) a proposal of the methodology for conducting the assessment, i.e. interviews, focus groups, etc., and d) a proposed detailed time-line of activities for the study and their dates of initiation and completion. USAID recognizes that the list of issues is extensive. The contractor is expected to prioritize issues and define a strategy that recognizes time and information constraints.

- 6.0 Prepare a draft report, with an executive summary, of findings and recommendations; and make recommendations on the need for and feasibility of implementing a capacity-building TA program at the local level as outlined above. This will include identification of key institutions for partnering.
- 7.0 Present findings and recommendations orally to USAID/SA and to other relevant parties as directed.
- 8.0 Upon receipt of comments on the draft report from USAID/SA and other parties, incorporate those comments into the draft report and prepare and submit a final report, with executive summary, of findings and recommendations.

Note: It is understood that prior to commencing the work, the consultant(s) will meet with concerned officials of USAID/SA to clarify these Terms of Reference and the assignment in general.

Persons and Organizations Consulted

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